



NORTH AMERICAN DEVELOPMENT BANK
ENVIRONMENT INVESTMENT AND CAPACITY FACILITY

Financial Statements (unaudited)

September 30, 2025

North American Development Bank
Environment Investment and Capacity Facility

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Contents

Balance Sheets	1
Statements of Changes in Fund Balance	2
Statements of Cash Flows	3
Notes to Financial Statements	4

North American Development Bank
Environment Investment and Capacity Facility

Balance Sheets

As of September 30, 2025 and December 31, 2024

	September 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Assets		
Cash and cash equivalents:		
Held at other financial institutions	\$ 22,802	\$ 43,378
Repurchase agreements	36,900,000	20,100,000
Total cash and cash equivalents	36,922,802	20,143,378
Due from Ordinary Capital Resources	3,000,000	11,300,000
Interest receivable	4,101	2,373
Grants receivable:		
U.S. Environmental Protection Agency (EPA):		
Border Environment Infrastructure Fund (BEIF)	94,560	79,867
Project Development Assistance Program (PDAP)	48,511	61,307
U.S.-Mexico Environmental Border 2025 Program (Border 2025)	1,467	24,048
Total grants receivable	144,538	165,222
Total assets	\$ 40,071,441	\$ 31,610,973
Liabilities and Fund Balance		
Due to Ordinary Capital Resources	\$ 147,744	\$ 165,841
Undisbursed grants:		
U.S. Department of State (DOS)	2,767,991	2,284,951
Air Quality Monitoring Fund (AQ Fund)	71,501	93,468
Total undisbursed grants	2,839,492	2,378,419
Total liabilities	2,987,236	2,544,260
Fund balance	37,084,205	29,066,713
Total liabilities and fund balance	\$ 40,071,441	\$ 31,610,973

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Fund Balance (unaudited)
For the Nine Months Ended September 30, 2025 and 2024

	For the Nine Months Ended September 30,	
	2025	2024
Transfer from Ordinary Capital Resources	\$ 7,000,000	\$ 4,000,000
Interest Income	<u>1,017,492</u>	<u>585,276</u>
Change in fund balance	8,017,492	4,585,276
Beginning fund balance	<u>29,066,713</u>	<u>12,942,219</u>
Ending fund balance	<u>\$ 37,084,205</u>	<u>\$ 17,527,495</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows (unaudited)

For the Nine Months Ended September 30, 2025 and 2024

	For the Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities		
Changes in fund balance	\$ 8,017,492	\$ 4,585,276
Adjustments to reconcile change in fund balance to net cash provided by operating activities:		
Change in other assets and liabilities:		
(Increase) decrease in interest receivable	(1,728)	3,022
(Increase) decrease in grants receivable	20,684	(90,833)
Decrease in due from Ordinary Capital Resources	8,300,000	500,000
Decrease in due to Ordinary Capital Resources	(18,097)	(70,727)
Net cash provided by operating activities	16,318,351	4,926,738
Cash flows from financing activities		
Grant funds received from third parties:		
EPA:		
BEIF	4,345,352	17,085,847
PDAP	1,545,412	1,790,996
Border 2025	202,589	385,358
Other	26,744	–
DOS	3,000,000	3,000,000
AQ Fund	–	145,550
Grant disbursements:		
EPA:		
BEIF	(4,345,352)	(17,085,847)
PDAP	(1,545,412)	(1,790,996)
Border 2025	(202,589)	(385,358)
Other	(26,744)	–
DOS	(2,516,960)	(1,133,192)
AQ Fund	(21,967)	(167,511)
Net cash provided by financing activities	461,073	1,844,847
Net increase in cash and cash equivalents	16,779,424	6,771,585
Cash and cash equivalents, beginning of period	20,143,378	12,724,069
Cash and cash equivalents, end of period	<u>\$ 36,922,802</u>	<u>\$ 19,495,654</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements (unaudited)

September 30, 2025

1. Organization and Purpose

The North American Development Bank (NADBank or the Bank) was established on January 1, 1994 by an agreement between the Governments of the United States of America (the United States or U.S.) and the United Mexican States (Mexico) that was signed by their respective Presidents on November 16 and 18, 1993 (the Charter). The Bank was created to finance environmental infrastructure projects in the U.S.-Mexico border region. On March 16, 1994, the President of the United States issued an Executive Order designating the Bank as an international organization under the International Organization Immunities Act.

The Bank is governed by a Board of Directors (the Board) appointed by the two countries. Its operations are subject to certain limitations outlined in the Charter. The geographic jurisdiction is within 100 kilometers north and 300 kilometers south of the U.S.-Mexico border. The primary activities of the Bank are providing loans, grant financing and technical assistance for environmental infrastructure projects approved by the Board, as well as administering grant funding provided by other entities. The Bank is headquartered in San Antonio, Texas, and also has an office in Ciudad Juarez, Chihuahua (Juarez Office).

In December 2022, the Board approved the establishment of the Environment Investment and Capacity Facility (EICF) to hold the Bank's grant funds available for project implementation and technical assistance purposes, including funds provided by third-party donors. With the establishment of the grant facility, the activities of the Bank are conducted through either Ordinary Capital Resources or EICF, which are accounted for separately. All grant and technical assistance activities are reported under the EICF, while all other operations of the Bank are reported under Ordinary Capital Resources.

Grant activity may be financed by the Bank with its own funds or by third parties. In some cases, the Bank receives third-party pass-through grants, meaning that the funds are not drawn down until needed for disbursement. In other cases, the third-party grantors entrust the funds to the Bank, which are held in custody for the programs.

Grant Programs

Community Assistance Program (CAP)

Established in 2011, the CAP provides grants to support the implementation of infrastructure projects in the water and solid waste sectors. Disbursements for CAP are funded with fund balance or with grants from the U.S. Department of State (DOS).

1. Organization and Purpose (continued)

Technical Assistance Program (TAP)

The TAP was established in 2009 to offer technical assistance and training to project sponsors for the purpose of strengthening their financial performance and ensuring the long-term sustainability of their infrastructure. As part of its technical assistance program, the Bank created the Utility Management Institute (UMI), which offers public service managers a professional development program aimed at enhancing their managerial and financial skills. Disbursements for TAP and UMI are funded with fund balance or with grants from DOS.

Water Resiliency Fund (WRF)

Established in August 2025, the WRF provides grants for infrastructure projects that enhance water resiliency, including diversification of sustainable water resources and conservation in municipal and agricultural systems. Disbursements for WRF are funded with fund balance.

Border Environment Infrastructure Fund (BEIF)

Through this program, the Bank administers third-party grant funds from U.S. Environmental Protection Agency (EPA) to support the implementation of priority water and wastewater infrastructure projects. Under the terms of the grants, the Bank reviews and submits prospective projects to EPA. EPA approves the projects, which are subsequently certified by the Board of Directors for financing. The Bank also oversees progress and compliance requirements for EPA and receives an allocation of the EPA grant funds for administrative expenses incurred.

Project Development Assistance Program (PDAP)

The Bank administers grant funding from EPA to provide technical assistance to communities for the development of water and wastewater projects that have been prioritized by EPA to receive a BEIF grant. The Bank provides administrative services to identify, contract and manage technical assistance projects.

U.S.-Mexico Environmental Border 2025 Program

The Bank administers grant funding from EPA to support the joint efforts of the two governments to improve the environment and protect the health of residents within 100 kilometers of the U.S.-Mexico border. The Bank provides logistical and administrative services to identify, contract and manage technical assistance projects and workshops funded through the program.

Air Quality Monitoring Fund

Through this fund, the Bank manages funds from the Texas Commission on Environmental Quality (TCEQ) and the Paso del Norte Community Foundation to improve air quality monitoring in the Paso del Norte air basin, formed by the Municipality of Juarez, Chihuahua, El Paso County, Texas, and Dona Ana County, New Mexico.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates in Financial Statements

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions from fund balance during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash deposits with a financial institution and overnight repurchase agreements. As of September 30, 2025 and December 31, 2024, cash in a demand deposit account with the financial institution totaled \$22,802 and \$43,378, respectively.

Repurchase Agreements

The Bank has entered into repurchase agreements with other financial institutions. Repurchases, which are included in cash and cash equivalents, occur daily involving U.S. government and U.S. agency securities. The underlying securities related to the repurchase transactions are held in the possession of the respective financial institution.

Grant Recognition

Bank-funded grants: Grant commitments are recognized at the date the Bank becomes obligated under the terms of the grant agreements, and associated costs are recognized as incurred. Grant disbursements from fund balance are reflected in the statements of changes in fund balance.

Third-party grants: These grants are funded by third-party grantors and disbursed in accordance with their respective agreements. Third-party grants are recognized upon receipt and reflected on the balance sheets as undisbursed grants until disbursed. Grant receipts and disbursements are reflected in the statements of cash flows. Additional information on undisbursed third-party grants is provided in Note 3.

Grant Operating Expenses and Reimbursements

All operating expenses associated with the EICF are paid through Ordinary Capital Resources and are subject to reimbursement to the Ordinary Capital Resources when incurred for third-party grants. As such, no operating expenses are reported under the EICF.

2. Summary of Significant Accounting Policies (continued)

Income Transfers from Ordinary Capital Resources

As part of the establishment of the EICF, the Board agreed to continue providing support to the EICF by transferring a portion of allocable income from Ordinary Capital Resources. For the nine months ended September 30, 2025 and 2024, EICF received transfers from Ordinary Capital Resources of \$7,000,000 and \$4,000,000, respectively, which are reflected in the statements of changes in fund balance.

Taxation

Pursuant to the NADBank Charter, as further implemented in the U.S. under the International Organizations Immunities Act, the Bank, its property, other assets, income and the operations it carries out pursuant to the Charter, are immune from all taxation and customs duties.

3. Undisbursed Third-party Grant Funds

The following table summarizes the changes in undisbursed grants from third-party grantors as of September 30, 2025 and December 31, 2024.

	Beginning Balance January 1, 2025	Grant Receipts	Grant Disbursements for		Ending Balance September 30, 2025
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ –	\$ 4,345,352	\$ 3,426,807	\$ 918,545	\$ –
PDAP	–	1,545,412	990,654	554,758	–
Border 2025	–	202,589	109,719	92,870	–
Other	–	26,744	26,744	–	–
	–	6,120,097	4,553,924	1,566,173	–
DOS	2,284,951	3,000,000	2,516,960	–	2,767,991
Air Quality Fund	93,468	–	910	21,057	71,501
Total	\$ 2,378,419	\$ 9,120,097	\$ 7,071,794	\$ 1,587,230	\$ 2,839,492

	Beginning Balance January 1, 2024	Grant Receipts	Grant Disbursements for		Ending Balance December 31, 2024
			Projects ¹	Expense Reimbursements	
EPA:					
BEIF	\$ –	\$ 21,467,462	\$ 20,231,696	\$ 1,235,766	\$ –
PDAP	–	2,171,092	1,467,539	703,553	–
Border 2025	–	549,203	330,782	218,421	–
	–	24,187,757	22,030,017	2,157,740	–
DOS	1,457,280	3,000,000	2,172,329	–	2,284,951
Air Quality Fund	132,768	145,550	181,125	3,725	93,468
Total	\$ 1,590,048	\$ 27,333,307	\$ 24,383,471	\$ 2,161,465	\$ 2,378,419

¹ Includes funds disbursed for project financing and technical assistance.

4. Disbursements by Program and Source

The following table summarizes disbursements for project implementation and technical assistance by program and source for the nine months ended September 30, 2025 and 2024.

	Nine Months Ended September 30,	
	2025	2024
By Program		
BEIF	\$ 3,426,807	\$ 16,151,516
PDAP	990,654	1,252,274
Border 2025	109,719	237,248
EPA Other	26,744	–
CAP	1,351,213	–
TAP	1,165,747	1,133,192
Air Quality Fund	910	164,547
	<u>\$ 7,071,794</u>	<u>\$ 18,938,777</u>
By Source		
Bank-funded	\$ –	\$ –
Third-party:		
EPA	4,553,924	17,641,038
DOS	2,516,960	1,133,192
Air Quality Fund	910	164,547
	<u>\$ 7,071,794</u>	<u>\$ 18,938,777</u>

The WRF, which had been under development in 2024, was approved by the Board in August 2025. As of September 30, 2025, no funds had been disbursed.

North American Development Bank
Environment Investment and Capacity Facility

Notes to Financial Statements (unaudited)
September 30, 2025

5. Fund Balance

The following table summarizes the changes in fund balance for the nine months ended September 30, 2025 and the year ended December 31, 2024.

	CAP	TAP	WRF	Undesignated Funds	Total
Beginning balance, Jan. 1, 2025	\$ 7,339,718	\$ 6,726,995	\$ –	\$ 15,000,000	\$ 29,066,713
Interest income	–	–	–	1,017,492	1,017,492
Fund balance designation	–	–	10,000,000	(10,000,000)	–
Transfers-in from Ordinary Capital Resources	–	–	–	7,000,000	7,000,000
Disbursements	–	–	–	–	–
Ending balance, Sept. 30, 2025	<u>\$ 7,339,718</u>	<u>\$ 6,726,995</u>	<u>\$ 10,000,000</u>	<u>\$ 13,017,492</u>	<u>\$ 37,084,205</u>
Beginning balance, Jan. 1, 2024	\$ 7,339,718	\$ 5,261,706	\$ –	\$ 340,795	\$ 12,942,219
Interest income	–	–	–	824,494	824,494
Fund balance designation	–	1,465,289	–	(1,465,289)	–
Transfers-in from Ordinary Capital Resources ¹	–	–	–	15,300,000	15,300,000
Disbursements	–	–	–	–	–
Ending balance, Dec. 31, 2024	<u>\$ 7,339,718</u>	<u>\$ 6,726,995</u>	<u>\$ –</u>	<u>\$ 15,000,000</u>	<u>\$ 29,066,713</u>

¹The transfers-in include \$10 million designated for the WRF, which was under development at year-end 2024 and subsequently approved by the Board in August 2025.

6. Undisbursed Commitments

Undisbursed commitments are signed grant agreements less disbursements. The following table summarizes the changes in undisbursed commitments by program for the nine months ended September 30, 2025 and the year ended December 31, 2024.

	CAP	TAP	WRF	Total
Undisbursed commitments, January 1, 2025	\$ 2,422,660	\$ 1,962,192	\$ –	\$ 4,384,852
Commitments, net	500,000	1,872,673	–	2,372,673
Disbursements:				
Bank-funded	–	–	–	–
DOS-funded	(1,351,213)	(1,165,747)	–	(2,516,960)
Undisbursed commitments, September 30, 2025	<u>\$ 1,571,447</u>	<u>\$ 2,669,118</u>	<u>\$ –</u>	<u>\$ 4,240,565</u>
Undisbursed commitments, January 1, 2024	\$ 626,367	\$ 1,239,705	\$ –	\$ 1,866,072
Commitments, net	1,935,993	2,755,116	–	4,691,109
Disbursements:				
Bank-funded	–	–	–	–
DOS-funded	(139,700)	(2,032,629)	–	(2,172,329)
Undisbursed commitments, December 31, 2024	<u>\$ 2,422,660</u>	<u>\$ 1,962,192</u>	<u>\$ –</u>	<u>\$ 4,384,852</u>

North American Development Bank
Environment Investment and Capacity Facility

Notes to Financial Statements (unaudited)
September 30, 2025

6. Undisbursed Commitments (continued)

The following table summarizes the grant funds available for commitment as of September 30, 2025 and December 31, 2024.

	CAP	TAP	WRF	Undesignated Funds ¹	Total
September 30, 2025					
Total fund balance	\$ 7,339,718	\$ 6,726,995	\$ 10,000,000	\$ 13,017,492	\$ 37,084,205
Undisbursed commitments	(1,571,447)	(2,669,118)	–	–	(4,240,565)
Approved, pending commitment	–	(76,837)	–	–	(76,837)
Total available for commitment	<u>\$ 5,768,271</u>	<u>\$ 3,981,040</u>	<u>\$ 10,000,000</u>	<u>\$ 13,017,492</u>	<u>\$ 32,766,803</u>
December 31, 2024					
Total fund balance	\$ 7,339,718	\$ 6,726,995	\$ –	\$ 15,000,000	\$ 29,066,713
Undisbursed commitments	(2,422,660)	(1,962,192)	–	–	(4,384,852)
Approved, pending commitment	(500,000)	(990,378)	–	–	(1,490,378)
Total available for commitment	<u>\$ 4,417,058</u>	<u>\$ 3,774,425</u>	<u>\$ –</u>	<u>\$ 15,000,000</u>	<u>\$ 23,191,483</u>

¹ The 2024 balance includes \$10 million allocated to the WRF, which was under development at year-end 2024 and subsequently approved by the Board in August 2025.

In addition to the fund balance available for commitment in the above table, \$2,767,991 and \$2,284,951 in undisbursed grant funds from DOS were available as of September 30, 2025 and December 31, 2024, respectively, to cover disbursements under CAP and TAP.